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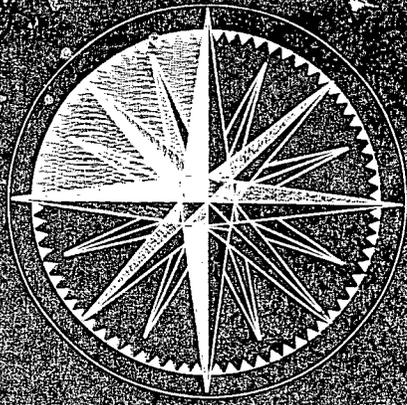
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27 December 1963

SC No. 00624/63
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WEEKLY REVIEW

OFFICE OF CURRENT INTELLIGENCE

CENTRAL INTELLIGENCE AGENCY

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C O N T E N T S

(Information as of 1200 EST, 26 December 1963)

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SOVIET TRADE ACTIVITY IN THE INDUSTRIAL WEST

Within a week after the central committee approved Khrushchev's plan for the chemical industry, Soviet traders apparently had their instructions and budget allocations and were renewing their activity in trade circles of the industrial West.

Contracts for fertilizer installations, plastics and synthetic plants, petrochemical equipment, and mining machinery are already in various stages of negotiation. [redacted] report they have under consideration a proposal by a West German consortium to supply the USSR with \$400 million worth of petrochemical equipment. A Soviet mission is negotiating with the British Imperial Chemical Industry (ICI), which heretofore has supplied the USSR with technical know-how. ICI reportedly has offered to deliver equipment and processes for the production of fertilizers, herbicides, rubber chemicals, and plastics. Negotiations also are under way for large numbers of Japanese chemical fertilizer plants.

Another Western consortium, involving US equipment and processes, is discussing delivery of a large oil refinery. In addition, contracts for a wide range of other machinery and equipment will probably soon be signed. These contracts apparently had been postponed until the new chemical equipment buy-

ing program was presented to the plenum and allocations for various trade corporations for next year were approved.

The Soviet need for additional credit to finance planned expanded purchases is crucial. The USSR presumably can generate sufficient funds to meet down payments on sizable orders. However, credit arrangements must be set now to spread out the heavy crush of payments which otherwise would fall due in 1965-66 when equipment contracted for next year will be delivered. Soviet ability to increase hard-currency reserves is not likely to improve in the near future. Moscow's current grain imports will reduce its gold reserves by 25 percent. If these continue beyond mid-1964, the Soviet hard-currency position will be under further strain.

Despite the bleak foreign exchange prospects for the USSR, Soviet officials appear hopeful that Western competition for Soviet orders will be adequate to foster Western governmental and banking opinion favorable to more and longer term credit. Moscow may also hope that a continuation of its relatively restrained foreign policy will be helpful in this context. While viewing the USSR as an acceptable commercial risk, the banking community has heretofore been unwilling to extend credits beyond a five-year period because of uncertainty about future political developments. (SECRET)

CHINESE COMMUNIST LEADERS' AFRICAN TOUR

With two weeks of their projected two-month tour of Africa completed, Chou En-lai and Foreign Minister Chen Yi can claim high marks for their efforts to project an aura of Afro-Asian amity and to identify Peiping with African aspirations. There is no evidence, however, that they have scored any comparable success in the political or economic fields.

The joint communiqué issued on 21 December at the conclusion of the Chinese leaders' visit to Cairo contains few surprises, and reports from Algiers suggest that discussions with Ben Bella are following predictable lines. Thus far the Chinese have attempted to minimize differences, play up past contacts, and press such themes as militant struggle against colonialism and "US imperialism."

In both Algiers and Cairo, Chou's hosts sought to demonstrate their nonalignment by actions designed to play down the impact of the Chinese leaders' arrival. Chou was greeted in Cairo with a 21-gun salute, but Nasir was not on hand. In Algeria, Ben Bella was on hand to greet his guests, but the top-level delegation he sent to the Soviet Union just before Chou's arrival is receiving more publicity than the Chinese guests.

It has become increasingly apparent that a major objective of the trip has been to undercut Soviet influence throughout the

continent. Criticism of the USSR was reportedly a recurrent theme in Chou's four lengthy talks with Nasir. Nasir reportedly said that Chou talked about the USSR the way the Soviets used to talk about the US. He accused the Soviets of trying to colonize China, of breaking political and economic promises, and of becoming tools of the US, and he warned that any Afro-Asian country which became dependent on Moscow would suffer the same fate as Peiping.

In Algeria, Chou sounded a similar note. He cited China's early support for Algerian revolutionaries--support which actually pre-dated that of the USSR. He has also undoubtedly scored Soviet unreliability. The Chinese may be pressing the Algerians to use some of the \$50-million credit offered in October. This offer was made to counter a \$100-million Soviet credit offered earlier the same month.

Sino-Soviet rivalry for African support also flared at the UN, where Peiping outmaneuvered Moscow on the question of enlarging the representation in principal UN organs to accommodate the African bloc. Soviet delegate Fedorenko had attempted to make it appear that the Chinese were opposed to the African-sponsored expansion plan because they insisted that any change in the UN be tied to Peiping's own admission to the Security Council. The USSR found itself holding a suddenly emptied bag,

however, when Peiping loudly repudiated Fedorenko's statement and accused the Soviets of using the issue as a pretext for opposing Afro-Asian demands.

Chou can be expected to capitalize on this during next week's visit to Morocco and in subsequent stops in Guinea, Ghana, and Mali. No details of Chou's itinerary beyond Rabat have been made public by Peiping.

Such secrecy may well be prompted by security considerations. Chinese officials were apparently seriously shaken by the abortive plot to kill Liu Shao-chi in Cambodia last spring. The Chinese envoy in Cairo reportedly told Nasir of concern for Chou's safety and asked that travel plans during the Chinese leader's visit to the UAR not be made public. (SECRET NO FOREIGN DISSEM)

EAST GERMAN REACTION TO RELAXATION OF BERLIN TRAVEL

Reaction of East Germans to the agreement to let West Berliners visit relatives in East Berlin is hopeful but still fairly cautious, judging by reports from local party officials.

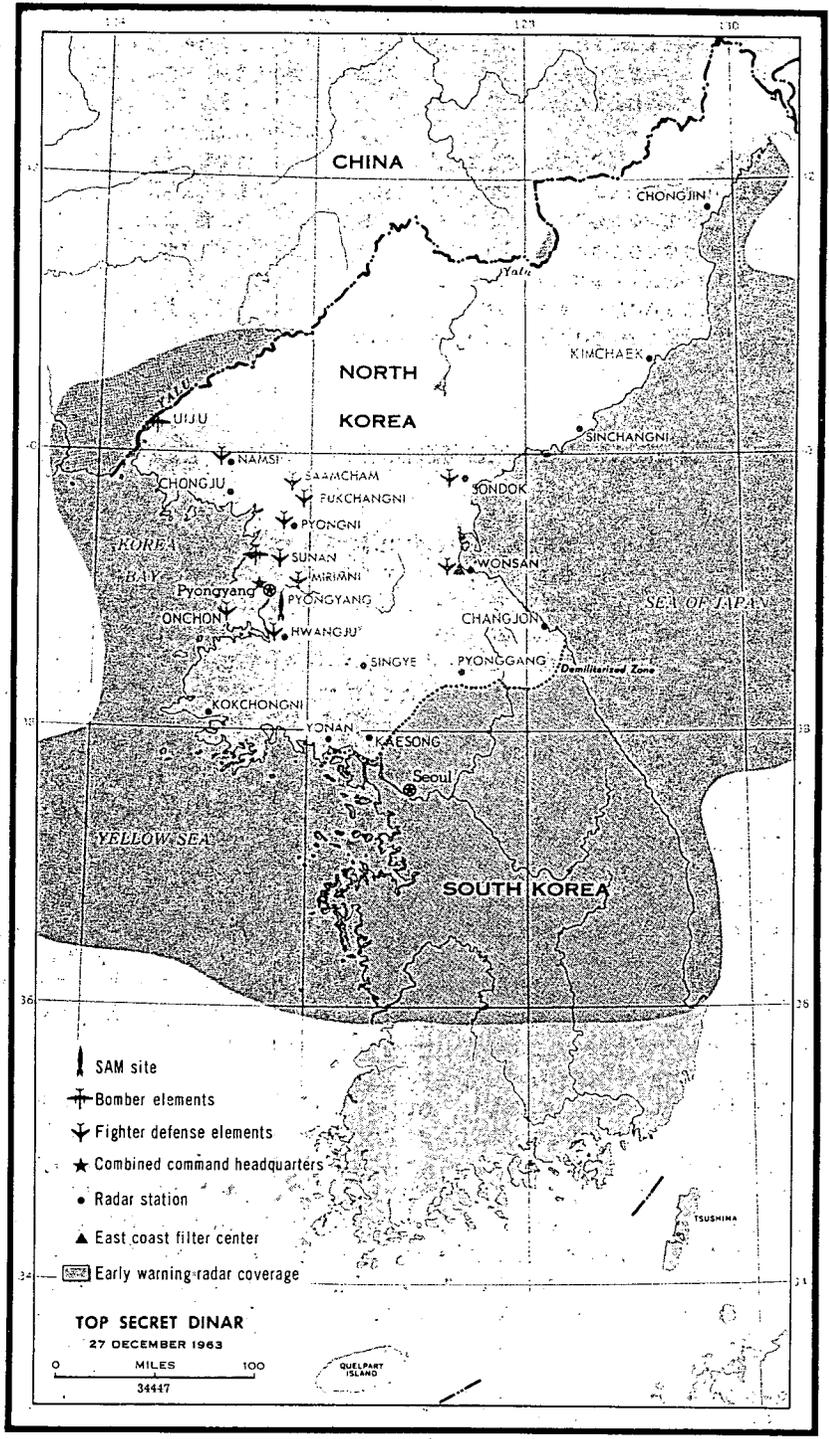
The party central headquarters, obviously concerned that the agreement might have domestic repercussions, ordered district officials to submit immediate reports and detailed follow-ups on reactions to this partial relaxation of travel curbs imposed in connection with the building of the Berlin Wall. Most of the responses state that the people are elated but are publicly voicing hope that they may be permitted to visit their relatives in West Berlin and West Germany. Many East Germans express hope that the present move will be followed by other relaxations--a reaction probably quite unpalatable to the regime.

Public comment--at least as reported by the various

party headquarters--is still fairly cautious: One party member in Magdeburg said: "The reason we don't let our citizens go to West Germany is that we are afraid they will defect." But he was promptly silenced by comrades who parroted the party line on "the terror against our GDR citizens in West Germany."

Public expression of dissatisfaction with harsh travel and internal controls has been recurrent in recent months, reaching a peak prior to the 20 October parliamentary elections.

The people's reaction to the pass agreement with West Berlin points up one of the regime's major problems: how to project an image of itself as a sovereign state and of East Berlin as its capital without increasing discontent among its population, who still risk shooting if they attempt to escape to West Berlin. (SECRET KIMBO)



NORTH KOREA IMPROVES AIR DEFENSE CAPABILITY

North Korea has recently taken several steps which significantly strengthen its air defenses. MIG-21 (Fishbed) jet fighters, which were first detected only at Pukchang-ni airfield, now are being stationed at other airfields. Pyongyang has also apparently just acquired a large number of relatively sophisticated types of radar sets. In addition, the North Korean bomber force, which has a total of about 100 IL-28 (Beagle) jet light bombers, is in part now equipped with, and has been training with, an improved blind bombing and navigational system.

Testing of and flight training with the new fighters--10 to 14 of which were apparently obtained from the USSR in the fall of 1962--were first noted

in June 1963. Since that time the MIG-21s have been detected frequently in flight activity involving ground controlled intercept exercises.

Beginning in October, MIG-21s have been noted operating from Wonsan on the east coast of North Korea. Their deployment to this airfield places supersonic fighters on both the east and west coasts of North Korea.

The North Koreans have recently expanded their radar

coverage. Six new types of radar, at least one of which is believed to be exclusively of Chinese Communist manufacture, have been detected. For the present these radars will apparently supplement rather than replace North Korea's original three types--Kniferest A, SCR-270, and Token.

The identifiable new types include Kniferest B, Spoonrest A, and a new type of Chinese Communist origin which is probably a substantial modification of the SCR-270. Spoonrest A is sometimes used as the acquisition radar for surface-to-air missile sites, but it is also used in an early warning role and is probably intended for that use in North Korea. Acquisition of these new radars reflects North Korea's efforts to extend the range of its early warning detection system. To improve height-finding capability, Pyongyang has also introduced more sophisticated radars such as Rockcake and Stonecake.

Another improvement in North Korea's air capability is the equipment of about twenty IL-28s with an improved blind bombing and navigational radar system designated Shorewalk. When properly used, this system permits precision navigation and blind bombing without the use of ground communications which would betray the direction of the flight and the target designation. (TOP SECRET DINAR)

ENTHUSIASM FOR SOUTH VIETNAM REGIME FLAGGING

Communist guerrilla activity increased only slightly in connection with the third anniversary, on 20 December, of the Viet Cong's Liberation Front, despite advance Communist propaganda exhortation for a major military effort. The Viet Cong continued to direct attacks and harassing activities primarily at strategic hamlets.

South Vietnam's new government is showing extreme sensitivity to discussion of a "neutralist solution" to its insurgency problem. The Communists' Liberation Front has repeatedly proposed such a settlement, and the idea is gaining new advocates as a result of Cambodia's call for an international conference. Saigon's military rulers last week closed down a newspaper which was expressing interest in neutralism. However, editorials in the vernacular press, even though attacking neutralism, have kept the debate in the public eye. On 20 December, Saigon students--possibly encouraged by the regime--demonstrated against neutralism.

On the military front, the government is beginning to take some steps to overcome the lethargy that has affected its counterinsurgency effort since the coup. A long-range pacification program has been launched in one of the most troublesome provinces in the northern part of the country, and broad command changes have been introduced in two provinces south of Saigon where security has been deteriorating.

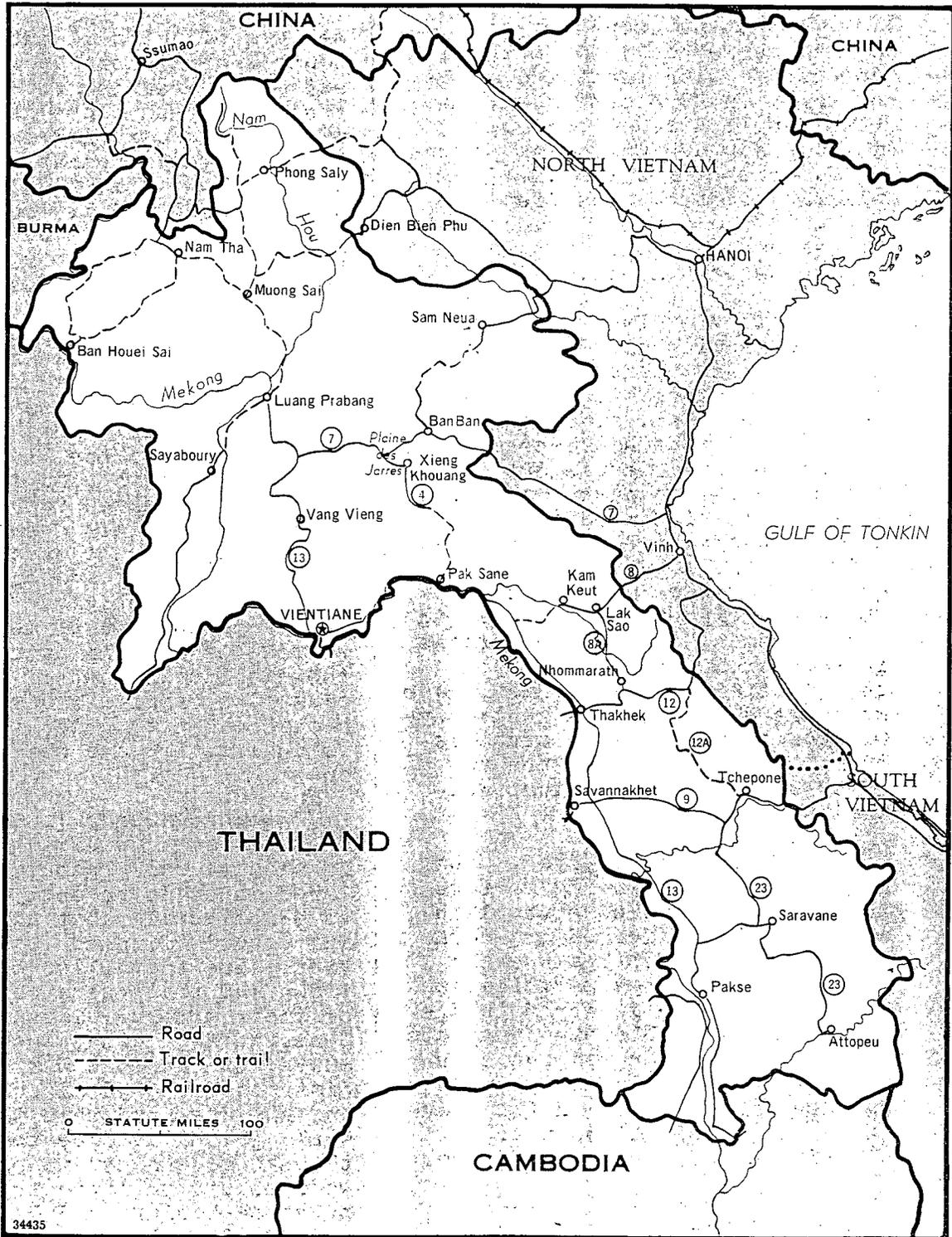
In the political field, the government has named 60

members of the civilian advisory Council of Notables. Returned exiles apparently are not represented, and there is a dearth of direct provincial representation. Many appointees, however, are prominent political, professional and lay religious leaders who could provide effective guidance to the regime if they are given a chance.

Apathy and disenchantment over the new government are widespread among such key elements as middle-grade officers, students and politicians. Criticism centers on the lack of firm direction by the ruling generals, on repeated reshuffling of local officials deemed incompetent, corrupt or close to the Diem regime, and on the rise in Viet Cong activity. There are signs that junta members themselves are beginning to share the disillusionment of some circles with Premier Tho's provisional cabinet, which is described as ineffective and regional in outlook.

Leading generals nevertheless seem to have few effective steps in mind to rally popular support. Three generals recently complained to US officials that they were having trouble finding qualified Vietnamese to fill government positions and that press criticism of their efforts was unhelpful. General "Big" Minh, the chief of state, has indicated a personal distaste for a prominent role, and has asserted that the people would gradually come to appreciate the new government as problems were solved on a province-by-province basis. (SECRET NO FOREIGN DISSEM/BACKGROUND USE ONLY)

LAOS



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